

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2009

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
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WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
BOARD OF COMMISSIONERS AND MANAGEMENT OFFICIALS

YEARS ENDED JUNE 30, 2009 AND 2008

Board of Commissioners

Chairman.....Donald Chambers
Vice Chairman.....Charles Albert Bell
Board Member.....Gary Vandever
Board Member.....David E Swindell
Board Member.....Hale Moss

Management Officials

Executive Director.....Chris Leaubur
Treasurer.....Robert Boyd

To the Board of Commissioners
Water & Wastewater Authority
Of Wilson County
Lebanon, Tennessee

We have audited the statement of net assets of the Water & Wastewater Authority of Wilson County as of June 30, 2009, and the related statements of revenues, expenses, and changes in net assets, and statement of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Water & Wastewater Authority of Wilson County as of June 30, 2008 were audited by other auditors whose report dated December 22, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Water & Wastewater Authority of Wilson County, as of June 30, 2009, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2010, on our consideration of the Water & Wastewater Authority of Wilson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 – 7, is not a required part of the basic financial statements but is supplementary information required by accounting

principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Water & Wastewater Authority of Wilson County's basic financial statements. The Board of Commissioners and management officials schedule and the supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Dempsey Vantrease & Hollis PLLC
Lebanon, Tennessee
January 20, 2010

Water & Wastewater Authority of Wilson County Management's Discussion and Analysis

This section of the Water & Wastewater Authority of Wilson County's annual financial report presents an analysis of the Authority's financial performance during the fiscal years ended June 30, 2009 and 2008. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2008

- The Authority's net assets increased by \$1,281 thousand or 4.8 percent from \$26,492 thousand to \$27,773 thousand.
- Operating revenues increased by \$91 thousand or 2.2 percent from \$4,077 thousand to \$4,168 thousand.
- Operating expenses increased by \$35 thousand or 1 percent from \$3,674 thousand to \$3,709 thousand.
- Capital contributions to the Authority decreased by \$1,425 thousand or 52 percent from \$2,738 thousand to \$1,313 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: management's discussion and analysis, summaries of the Authority's net assets and condensed statement of revenues, expenses and changes in net assets.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Authority report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America. The statements of net assets include information on the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources and the obligations to the Authority's creditors. The statements of revenues, expenses and changes in net assets identify the Authority's revenues, and expenses for the fiscal years ended June 30, 2009 and 2008. These statements provide information on the Authority's operation over the past two fiscal years.

FINANCIAL ANALYSIS OF THE DISTRICT

The statement of net assets and the statement of revenues, expenses, and changes in net assets provide an indication of the Authority's financial condition and also indicate that the financial condition of the Authority improved during the last fiscal year. The Authority's net assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates an improvement in financial condition.

NET ASSETS

A summary of the Authority's statement of net assets is presented below.

Table 1
Condensed Statement of Net Assets
(in thousands of dollars)

	2009	2008	Dollar Change	Percent Change	2007	Dollar Change	Percent Change
Current and Other Assets	3,363	2,207	1,156	52.4%	2,233	(26)	(1.2)%
Restricted Assets	3,458	5,344	(1,886)	(35.3)%	5,371	(27)	(0.5)%
Capital Assets, net	34,594	32,980	1,614	4.9%	30,095	2,885	9.6%
Total Assets	41,415	40,531	884	2.2%	37,699	2,832	7.5%
Long-Term Debt	11,951	12,295	(344)	(2.8)%	12,462	(167)	(1.3)%
Current Liabilities	1,691	1,744	(53)	(3.0)%	1,582	162	10.2%
Total Liabilities	13,642	14,039	(397)	(2.8)%	14,044	(5)	(0.04)%
Net Assets Invested in Capital Assets, Net of Related Debt	23,440	22,760	680	3.0%	20,406	2,354	11.5%
Net Assets Restricted for Debt Service	2,212	2,736	(524)	(19.2)%	2,158	578	26.8%
Unrestricted Net Assets	2,121	996	1,125	113.0%	1,091	(95)	(8.7)%
Total Net Assets	27,773	26,492	1,281	4.8%	23,655	2,837	12.0%

As the above table indicates, total assets increased by 2.2% during the fiscal year. The total asset balance increased \$884 thousand from \$40,531 thousand to \$41,415 thousand. This was the result of an increase of \$1,614 in capital assets, in combination with a decrease of \$730 in current, restricted and other assets.

During the fiscal period, total liabilities decreased by \$397 thousand, or 2.8%. This includes a decrease of \$344 thousand in long-term debt and an additional decrease of \$53 thousand in current liabilities.

Table 1 also indicates that total net assets increased by 4.8%, or \$1,281 thousand, from \$26,492 thousand to \$27,773 thousand. As shown in Table 2, this increase is due to \$1,313 thousand of capital contributions received from developers in fiscal year 2009. This is 52.1% less than the \$2,837 thousand contributed from developers in fiscal year 2008. The decrease can be attributed to the weakened economic climate.

Table 2
Condensed Statement of Revenues, Expenses and Changes in Net Assets
(in thousands of dollars)

	2009	2008	Dollar Change	Percent Change	2007	Dollar Change	Percent Change
Operating Revenue	4,168	4,077	91	2.2%	3,963	114	2.9%
Nonoperating Revenue	133	284	(151)	(53.2)%	1,211	(927)	(76.5)%
Total Revenue	4,301	4,361	(60)	(1.4)%	5,174	(813)	(15.7)%
Depreciation Expense	1,099	1,021	78	7.6%	923	98	10.6%
Other Operating Expenses	2,610	2,653	(43)	(1.6)%	2,595	58	2.2%
Nonoperating Expenses	625	588	37	6.3%	1,834	(1,246)	(67.9)%
Total Expenses	4,334	4,262	72	1.7%	5,352	(1,090)	(20.4)%
Income Before Capital Contributions	(32)	99	(131)	(132.3)%	(178)	277	175.8%
Capital Contributions	1,313	2,738	(1,425)	(52.1)%	4,789	(2,051)	(42.8)%
Changes in Net Assets	1,281	2,837	(1,556)	(54.9)%	4,611	(1,774)	(38.5)%
Beginning Net Assets	26,492	23,655	2,837	12.0%	19,044	4,611	24.2%
Ending Net Assets	27,773	26,492	1,281	4.8%	23,655	2,837	12.0%

The Statement of Revenues, Expenses and Change in Net Assets identifies the various revenue and expense items which affect the change in net assets.

As the information in Table 2 indicates, the Authority's total revenue decreased by \$60 thousand, or 1.4 percent, from \$4,361 thousand the prior year to \$4,301 thousand this year. Despite an increase of 2.2 percent in operating revenue, the overall decrease in total revenue was due to a 53.2 percent decrease in nonoperating revenue. This decrease is primarily due to significantly lower interest rates earned on our various interest bearing accounts.

Despite operating expenses (minus depreciation) decreasing by \$43 thousand, total expenses increased by 1.7%, or \$72 thousand, during the fiscal period. This can be attributed to increases in depreciation and other nonoperating expenses.

Table 2 also indicates a \$32 thousand loss before capital contributions of \$1,313 thousand. These two items combined to generate the \$1,281 thousand increase in net assets.

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008

ASSETS	<u>2009</u>	<u>2008</u>
Current Assets		
Cash & Cash Equivalents	\$ 2,154,790	\$ 919,678
Investments in Interest Bearing Deposits	156,000	6,000
Accounts Receivable Net of Allowance for Doubtful Accounts of \$15,000 and \$50,000 as of June 30, 2009 and June 30, 2008, respectively.	493,184	480,066
Due From Tennessee Department of Transportation	-	222,989
Accrued Interest Receivable	32,596	20,407
Inventory of Supplies	175,988	181,924
Prepaid Expenses	18,357	18,743
Total Current Assets	<u>3,030,915</u>	<u>1,849,807</u>
Restricted Assets		
Restricted Cash & Cash Equivalents	45,307	82,069
Restricted Investments in Interest Bearing Deposits	3,412,669	5,262,327
Total Restricted Assets	<u>3,457,976</u>	<u>5,344,396</u>
Utility Plant & Equipment		
Land	569,532	569,532
Water Distribution System	22,899,156	21,165,656
Wastewater System	18,704,473	17,777,473
Building	1,234,248	1,234,248
Office Equipment	200,490	200,490
Equipment	642,396	637,471
Construction in Progress	448,943	401,495
Total Utility Plant & Equipment	<u>44,699,238</u>	<u>41,986,365</u>
Less Accumulated Depreciation	<u>(10,104,962)</u>	<u>(9,005,949)</u>
Utility Plant & Equipment Net of Accumulated Depreciation	34,594,276	32,980,416
Other Assets		
Deferred Bond Issue Costs Less Accumulated Amortization	<u>331,859</u>	<u>356,768</u>
Total Assets	<u><u>\$ 41,415,026</u></u>	<u><u>\$ 40,531,387</u></u>

The accompanying notes are an integral part of these financial statements.

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 125,838	\$ 156,272
Accrued Interest Payable	139,671	152,354
Customer Deposits	599,910	649,616
Sales Tax Payable	26,715	26,837
Accrued Payroll & Related Items	33,149	36,147
Current Portion of Long-Term Debt	765,869	723,279
Total Current Liabilities	<u>1,691,152</u>	<u>1,744,505</u>
Long-Term Debt	<u>11,950,835</u>	<u>12,294,689</u>
Total Liabilities	13,641,987	14,039,194
NET ASSETS		
Invested In Capital Assets Net Of		
Related Debt	23,439,807	22,760,406
Restricted For Debt Service	2,212,599	2,735,851
Unrestricted	2,120,633	995,936
	<u>27,773,039</u>	<u>26,492,193</u>
Total Liabilities & Net Assets	<u>\$ 41,415,026</u>	<u>\$ 40,531,387</u>

The accompanying notes are an integral part of these financial statements.

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
STATEMENTS OF REVENUES, EXPENSES, & CHANGES IN NET ASSETS
FOR THE YEARS ENDING JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Operating Sales		
Water Sales	\$ 3,223,337	\$ 3,100,489
Wastewater Income	753,448	765,477
Other Charges	191,543	211,265
	<u>4,168,328</u>	<u>4,077,231</u>
Less: Bad Debt Expense	<u>(8,451)</u>	<u>(29,843)</u>
Net Operating Revenue	4,159,877	4,047,388
Operating Expenses		
Depreciation Expense	1,099,013	1,020,972
Water Purchased	824,773	738,530
Wastewater Service Costs	530,090	470,346
Repairs & Maintenance Expense	158,574	209,731
Management Salaries	173,116	200,344
Plant Salaries	204,496	179,717
Office Salaries	106,274	118,199
Legal Expense	67,674	111,911
Health Insurance Expense	72,738	85,035
Engineering Fees	34,258	67,365
Retirement Expense	55,026	56,599
Office Supplies & Expense	41,159	52,505
Plant Utilities Expense	62,304	51,731
Payroll Tax Expense	40,809	41,292
Miscellaneous Expense	37,575	37,517
Other Insurance Expense	44,591	50,166
Postage	29,785	31,153
Audit & Accounting	32,400	29,500
Telephone & Office Utilities	28,555	27,722
Legal Salary	22,359	21,550
Data Processing	11,396	21,504
Uniforms Expense	8,880	9,091
Seminar Expense	2,841	4,828
Dues Expense	8,795	3,370
Director Fees	2,300	2,546
State Fees	1,000	680
Total Operating Expenses	<u>3,700,781</u>	<u>3,643,904</u>
Operating Income	459,096	403,484

The accompanying notes are an integral part of these financial statements.

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 STATEMENTS OF REVENUES, EXPENSES, & CHANGES IN NET ASSETS
 FOR THE YEARS ENDING JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Operating Income (From Page 10)	459,096	403,484
Nonoperating Revenues (Expenses)		
Interest Income	133,142	258,460
Gain on Disposal of Fixed Assets	-	25,748
Interest & Amortization Expense	<u>(624,620)</u>	<u>(588,268)</u>
Total Nonoperating Revenues (Expenses)	<u>(491,478)</u>	<u>(304,060)</u>
Income (Loss) Before Contributions	(32,382)	99,424
Contributions		
Capital Reimbursement	111,428	30,962
Contributions In Aid Of Construction	<u>1,201,800</u>	<u>2,706,688</u>
	1,313,228	2,737,650
Increase In Net Assets	1,280,846	2,837,074
Net Assets, Beginning of Year	26,492,193	23,655,119
Net Assets, End of Year	<u>\$ 27,773,039</u>	<u>\$ 26,492,193</u>

The accompanying notes are an integral part of these financial statements.

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities		
Cash Receipts From Customers	\$ 4,299,204	\$ 4,094,428
Cash Payments to Suppliers for Goods and Services	(1,973,542)	(1,914,658)
Cash Payments to or on Behalf of Employees	(655,457)	(691,078)
Other Operating Revenue	20,838	19,410
Net Cash Provided By Operating Activities	<u>1,691,043</u>	<u>1,508,102</u>
Cash Flows From Capital & Related Financing Activities		
Capital Contributions	192,500	203,000
Proceeds From Disposal of Fixed Assets	-	44,685
Purchase of Land	-	(163,572)
Proceeds From New Debt Issuance	173,976	-
Purchase & Construction of Utility Plant & Equipment	(1,703,573)	(937,206)
Capital Reimbursement - State of Tennessee	111,431	-
Principal Payments on Revenue Bonds	(723,282)	(642,885)
Interest Paid on Revenue Bonds	(364,356)	(339,650)
Net Cash Used By Capital & Related Financing Activities	<u>(2,313,304)</u>	<u>(1,835,628)</u>
Cash Flows From Investing Activities		
Proceeds From Maturities of Investment Securities	5,268,326	4,530,999
Interest Income	120,953	194,610
Purchase of Investment Securities	(3,568,669)	(4,428,800)
Net Cash Provided By Investing Activities	<u>1,820,610</u>	<u>296,809</u>
Net Increase (Decrease) in Cash & Cash Equivalents	1,198,349	(30,717)
Cash & Cash Equivalents, Beginning of Year	1,001,748	1,032,465
Cash & Cash Equivalents, End of Year	<u>\$ 2,200,097</u>	<u>\$ 1,001,748</u>

The accompanying notes are an integral part of these financial statements.

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Adjustments to Reconcile Operating Income To Net Cash		
Provided By (Used) By Operating Activities		
Operating Income	\$ 459,096	\$ 403,483
Depreciation	1,099,013	1,020,972
Provision for Bad Debt	(35,000)	22,000
(Increase) Decrease in Accounts Receivable	21,882	(44,116)
Decrease in Receivable From TDOT	222,989	-
(Increase) Decrease in Inventory	5,936	(6,507)
Decrease in Prepaid Expenses	386	21,918
(Decrease) in Accounts Payable	(30,434)	(661)
Increase (Decrease) in Customer Deposits	(49,706)	88,565
(Decrease) in Sales Tax Payable	(122)	(1,167)
Increase (Decrease) in Accrued Payroll & Related Items	(2,997)	3,615
Net Cash Provided By Operating Activities	<u>\$ 1,691,043</u>	<u>\$ 1,508,102</u>
Non-Cash Transactions		
Noncash Capital Contributions From Developers		
Consisting of Water Infrastructure	<u>\$ 82,300</u>	<u>\$ 106,300</u>
Noncash Capital Contributions From Developers		
Consisting of Wastewater Infrastructure	<u>\$ 927,000</u>	<u>\$ 2,397,388</u>
Noncash Purchase of Inventory	<u>\$ -</u>	<u>\$ 3,586</u>
Interest Capitalized to Utility Plant & Equipment	<u>\$ 115,701</u>	<u>\$ 164,303</u>
Land Purchase Financed With Note Payable	<u>\$ -</u>	<u>\$ 320,000</u>

The accompanying notes are an integral part of these financial statements.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

Note A – Summary of Significant Accounting Policies

General Information – The Water & Wastewater Authority of Wilson County, Tennessee, (“the Authority”) was established July 21, 1975, under Tennessee Code Annotated section 68-221-601. The Authority is governed by a Board of Commissioners appointed by the County Mayor and approved by the County commissioners and does not have any power to levy or collect a tax. In 1977, the Board of Commissioners changed the name to the Water & Wastewater Authority of Wilson County, Tennessee. The Authority operates a water system and supply for customers in specified areas of Wilson County. In the fiscal year ended June 30, 2000, the Authority began providing wastewater treatment for a limited number of customers.

Reporting Entity – Because of the lack of significance of its operational and financial relationship with Wilson County, the Authority is not a component unit of Wilson County, Tennessee.

Basis of Presentation and Accounting – The accrual basis of accounting is used, in conformity with generally accepted governmental accounting principles applicable to water utility districts. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled utility service receivables are recorded at year end. The Authority is a proprietary fund because it is required by law to recover its costs of operation with fees and charges for services rather than with taxes or similar revenues. The Authority applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB Statements and interpretations issued after November 30, 1989.

Budget – An annual budget is adopted by the Board of Commissioners as a management control device on a basis consistent with generally accepted accounting principles (GAAP).

Estimates – The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

Note A – Summary of Significant Accounting Policies (continued)

Utility Plant, Building, Wastewater System, & Equipment – Land, utility plant, building, wastewater system, and equipment are recorded at cost or, if contributed, at the estimated fair market value of the contribution. The Authority defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Repairs and maintenance are recorded as expenses; renewals and improvements are capitalized. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included as non-operating revenue or loss.

Depreciation of the utility plant, building, wastewater system, and equipment is computed using the straight line method as follows:

<u>Asset</u>	<u>Estimated Useful Life</u>
Cost of Water System	25 – 40 years
Wastewater System	40 years
Building	10 – 40 years
Equipment	3 – 10 years

Restricted Assets – Bond covenants of the various board issues require the establishment of bond interest and sinking funds to provide for the timely retirement of bond principal and interest. At June 30, 2009 and 2008, these reserves have been adequately funded and have been presented in the financial statements as restricted assets.

Cash & Cash Equivalents – Cash consists principally of checking accounts and certificates of deposit with financial institutions. For the purpose of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Receivables – The Authority uses the reserve method in determining bad debt expense.

Inventory – The Authority maintains an inventory of materials and supplies for repairs to the utility system. The inventory is carried at the lower of cost or market value using the “first in – first out” method.

Capitalized Interest – The Authority capitalizes net interest costs and related interest earned as part of constructing water projects.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

Note A – Summary of Significant Accounting Policies (continued)

Bond Issue Costs – The costs of the issuance of bonds are amortized on the straight line method over the life of the bonds.

Discounts on Bonds – The discount on bonds issued are being amortized on the straight line method, over the life of the bonds.

Deferred Loss on Refinancing of Bonds – The refunding of debt in 1993 and 2006 resulted in a deferred amount which is being amortized over the remaining life of the old debt in accordance with GASB 23.

Operating Revenues and Expenses – Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for water services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses to restricted net assets first, the extent such are available, and then to unrestricted net assets.

Contributions In Aid of Construction – Developers are required by the Authority to install water lines in new developments according to the Authority's specifications and subject to inspection by the engineer. Developers bear the cost of laying the water lines, which become the property of the Authority. The engineer's estimate of the cost of these lines is capitalized as utility plant and recorded as contributed capital by the Authority prior to July 1, 2000. After June 30, 2000, the Authority records the cost as revenue.

A fee is charged by the Authority for the physical connection to the water system. Prior to July 1, 2000, the fee was recorded as contributed capital and the cost of the installation of the tap was capitalized as utility plant. Beginning July 1, 2000, tap fees are recorded as revenue.

In accordance with GASB 33, contributions from contractors are recorded as revenue in the statement of earnings rather than as a component of equity effective July 1, 2000.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

Note A – Summary of Significant Accounting Policies (continued)

Compensated Absences – Full time employees are given one day of vacation each month during the first six years of continuous employment. Employees with more than six years of continuous employment are granted fifteen days annual vacation with the additional days being granted in the months of March, June, and September.

Vacation days earned and not used may be carried forward, however, accumulated vacation days may not exceed 30 days per employee. The Authority has accrued the amount of vacation time carried forward as of June 30, 2009 and 2008.

Each employee accumulates one day of sick leave each month. Sick leave not used during the year may be carried forward. Upon termination or voluntary resignation, all accrued sick leave is forfeited. Therefore, no amounts have been recorded for accrued sick pay in the financial statements.

Net Assets – Net assets comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

Note B – Cash & Cash Equivalents

Interest Rate Risk and Concentration of Credit Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The Authority places no limit on the amount it may invest in any one issuer.

Credit Risk – The Authority is authorized to make investments in certificates of deposit, bonds, notes or treasury bills of the United States or any of its other agencies, or obligations guaranteed as to principal and interest by the United States or any of its agencies with a maturity not greater than one year, or in the pooled investment fund established under Tennessee law.

At June 30, 2009 and 2008, the entire bank balance was covered by federal depository insurance or by collateral held in the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool is a multiple financial institution collateral pool to which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the members of the pool if the value of collateral is inadequate to cover a loss.

Note C – Commitments & Contingencies

The majority of the water supplied to customers of the Authority is purchased from the City of Lebanon pursuant to a contractual agreement.

On approximately May 6, 1999, the Authority entered into a master provider agreement with a company to build, operate, and maintain wastewater systems. This agreement contains a provision that would subject the Authority to contract cancellation fees if the Authority were to take control of the operation and maintenance services through no fault of the contracting company. The Authority has no intention of assuming these operation and maintenance services, however, the cancellation fees would be material to the financial statements if they were to occur.

Note D – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

Note D – Risk Management (continued)

The Authority purchases commercial insurance for claims and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note E – Capital Assets

Capital asset activity for the years ended June 30, 2009 and 2008 was as follows:

	Balance July 1, 2008	Transfers In And Additions	Transfers Out And Retirements	Balance June 30, 2009
Capital Assets Not Being Depreciated				
Land	\$ 569,532	\$ -	\$ -	\$ 569,532
Construction In Progress	401,495	1,663,353	(1,615,905)	448,943
Total Capital Assets Not Being Depreciated	971,027	1,663,353	(1,615,905)	1,018,475
Capital Assets Being Depreciated				
Water Distribution System	21,165,656	1,733,500	-	22,899,156
Wastewater System	17,777,473	927,000	-	18,704,473
Building	1,234,248	-	-	1,234,248
Office Equipment	200,490	-	-	200,490
Equipment	637,471	4,925	-	642,396
Total Capital Assets Being Depreciated	41,015,338	2,665,425	-	43,680,763
Less Accumulated Depreciation				
Water Distribution System	(6,977,148)	(557,310)	-	(7,534,458)
Wastewater System	(1,136,016)	(449,556)	-	(1,585,572)
Building	(294,167)	(32,377)	-	(326,544)
Office Equipment	(158,879)	(11,117)	-	(169,996)
Equipment	(439,739)	(48,653)	-	(488,392)
Total Accumulated Depreciation	(9,005,949)	(1,099,013)	-	(10,104,962)
Total Capital Assets Being Depreciated Net of Accumulated Depreciation	32,009,389	1,566,412	-	33,575,801
Total Capital Assets Net of Accumulated Depreciation	<u>\$ 32,980,416</u>	<u>\$ 3,229,765</u>	<u>\$ (1,615,905)</u>	<u>\$ 34,594,276</u>

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

Note E – Capital Assets (continued)

Capital asset activity for the years ended June 30, 2008 and 2007 was as follows:

	Balance July 1, 2007	Transfers In And Additions	Transfers Out And Retirements	Balance June 30, 2008
Capital Assets Not Being Depreciated				
Land	\$ 85,960	\$ 483,572	\$ -	\$ 569,532
Construction In Progress	34,650	366,845	-	401,495
Total Capital Assets Not Being Depreciated	<u>120,610</u>	<u>850,417</u>	<u>-</u>	<u>971,027</u>
Capital Assets Being Depreciated				
Water Distribution System	20,587,949	577,707	-	21,165,656
Wastewater System	15,380,085	2,397,387	-	17,777,473
Building	1,226,080	8,168	-	1,234,248
Office Equipment	198,677	1,814	-	200,490
Equipment	618,275	88,973	(69,777)	637,471
Total Capital Assets Being Depreciated	<u>38,011,066</u>	<u>3,074,049</u>	<u>(69,777)</u>	<u>41,015,338</u>
Less Accumulated Depreciation				
Water Distribution System	(6,454,205)	(522,943)	-	(6,977,148)
Wastewater System	(725,943)	(410,073)	-	(1,136,016)
Building	(262,252)	(31,915)	-	(294,167)
Office Equipment	(146,263)	(12,616)	-	(158,879)
Equipment	(447,153)	(43,426)	50,840	(439,739)
Total Accumulated Depreciation	<u>(8,035,816)</u>	<u>(1,020,973)</u>	<u>50,840</u>	<u>(9,005,949)</u>
Total Capital Assets Being Depreciated Net of Accumulated Depreciation	<u>29,975,250</u>	<u>2,053,076</u>	<u>(18,937)</u>	<u>32,009,389</u>
Total Capital Assets Net of Accumulated Depreciation	<u>\$ 30,095,860</u>	<u>\$ 2,903,493</u>	<u>\$ (18,937)</u>	<u>\$ 32,980,416</u>

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

Note F – Bonds & Notes Payable

Bonds and notes payable as of June 30, 2009 and 2008 are as follows:

Series, Rates of Interest, & Maturity Dates	2009	2008
Waterworks Revenue Refunding and Improvement Bonds Series 1993, dated 5/1/93. Interest of 4.625% - 6% less unamortized bond discount of \$19,333 and \$23,200 respectively, and deferred loss on refinancing of \$83,513 and \$100,216 for June 30, 2009 and 2008, respectively.	\$ 2,302,154	\$ 2,686,584
Waterworks Revenue Improvement Bonds, Series 2000 Capital Appreciation Bonds, (zero coupon bonds) dated 10/5/00. Interest of 6.1% - 6.4%, principal and accreted interest due serially starting in 2018 through 2025.	3,433,460	3,227,725
Waterworks Revenue Bonds, Series 2002, numbered R-1 (Rural Development), dated 12/29/04, interest not greater than 4.5%, due in monthly installments through 2043	237,426	240,444
Local Government Public Improvement Bonds Series IV-E-1, dated 10/24/06. Interest at 4% - 5%. Less unamortized deferred amounts of \$50 and \$21,786 for June 30, 2009 and 2008, respectively.	6,289,950	6,543,215
Amount drawn on \$2,751,769 State Revolving Fund loan secured by funds due to Water & Wastewater Authority of Wilson County by the State of Tennessee. Payable in monthly installments of interest only at 3.67% starting with the first drawdown of funds and monthly payments of principal and interest starting with the earlier of 90 days after project completion or 120 days after 90% of loan funds are disbursed.	173,976	-
Note Payable to Wilson Bank & Trust secured by real property, payable at \$52,498 per year at 3.45% fixed annual rate - matures June 2015.	279,738	320,000
Total Bonds & Notes Payable	\$ 12,716,704	\$ 13,017,968
Less Current Portion	(765,869)	(723,279)
Long-Term Debt	\$ 11,950,835	\$ 12,294,689

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

Note F – Bonds & Notes Payable (Continued)

Changes to the Authority's long-term debt are as follows:

	<u>2009</u>	<u>2008</u>
Total Long-Term Debt At Beginning of Year	\$ 13,163,169	\$ 13,292,649
Notes Payable Proceeds	173,976	320,000
Accreted Interest On Capital Appreciation Bonds	205,735	193,405
Notes Payable Principal Paid	(40,262)	-
Bond Retirements Paid	<u>(683,020)</u>	<u>(642,885)</u>
Total Long-Term Debt At End of Year	12,819,599	13,163,169
Refunding Revenue Bond Unamortized Discount	(19,333)	(23,200)
Unamortized Deferred Loss on Refundings	<u>(83,563)</u>	<u>(122,001)</u>
Total Long-Term Debt At End of Year Net of Unamortized Discount & Deferred Loss	12,716,703	13,017,968
Less Current Portion	<u>(765,869)</u>	<u>(723,279)</u>
Non-Current Portion	<u>\$ 11,950,834</u>	<u>\$ 12,294,689</u>

Annual debt service requirements for bonds outstanding to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 765,869	\$ 439,417	\$ 1,205,286
2011	904,147	469,848	1,373,995
2012	953,599	426,396	1,379,995
2013	998,221	380,274	1,378,495
2014	1,037,963	332,032	1,369,995
2015 - 2019	5,714,776	978,808	6,693,584
2020 - 2024	6,144,752	533,846	6,678,599
2025 - 2029	2,138,501	160,011	2,298,511
2030 - 2034	216,160	28,829	244,989
2035 - 2039	53,176	15,704	68,880
2040 - 2043	41,770	3,200	44,969
	<u>\$ 18,968,934</u>	<u>\$ 3,768,363</u>	<u>\$ 22,737,297</u>

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

Note F – Bonds & Notes Payable (Continued)

The Authority pays its bond liability by semi-annual installments for all issues except for the Series 2002 liability that is paid monthly. The bonds are secured by the revenue of the Authority. In addition, the Authority has complied with the bond resolution requirements adopted by the Board.

Deferred Loss -- The refunding of debt in 1993 and 2006 resulted in a deferred loss of \$949,152 and \$164,035, respectively, to be amortized over the remaining life of the old debt in accordance with GASB 23.

Note G – Pension Plan

Plan Description – Employees of the Authority are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment.

There is no service requirement for disability that is the result of an accident or injury occurring while the member was in performance of duty. Members joining the system on or after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. The retirement plan for the Authority is included in the total retirement plan for Wilson County, Tennessee. Therefore, separate retirement information for the Authority is not available. Details relative to the funding status and progress, actuarially determined contribution requirements and contributions made, and trend information regarding the pension plan can be found in the Comprehensive Annual Financial Report for Wilson County. Political subdivisions such as Wilson County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

Note G – Pension Plan (Continued)

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

Wilson County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5 percent of annual covered payroll. The County is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 and 2008 was 12.58% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Wilson County is established and may be amended by the TCRS Board of Trustees.

The Authority's payroll for employees covered by the TCRS for the years ended June 30, 2009 and 2008 was \$437,409 and \$449,915, respectively. Total contributions to the plan by the Authority for the years ended June 30, 2009 and 2008, amounted to \$55,026 and \$56,599.

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF FINDINGS & RESPONSES
JUNE 30, 2009

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Water & Wastewater Authority of Wilson County.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting & on Compliance & Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. One instance of noncompliance material to the financial statements of the Authority was disclosed during the audit.

B. SIGNIFICANT DEFICIENCIES

R-1. Segregation of Duties

Condition: Due to the limited number of financial personnel employed by the Authority, the same individuals regularly perform several functions, which, ideally, should be performed by different individuals. Such functions include preparation of bank reconciliations, issuing checks, signing checks, handling cash receipts, processing customer billings and accounts receivable, and recording of transactions.

Criteria: Proper segregation of duties requires that no one employee be responsible for an entire transaction cycle from beginning to end.

Effect: Inadequate separation of duties allows the possibility of the occurrence of unauthorized cash transactions, which may not be properly detected by Management.

Recommendation: To the extent possible, Management should separate the duties of preparing bank reconciliations, issuing checks, signing checks, handling cash receipts, processing customer billings and accounts receivable, and recording transactions to the accounting system.

Response: Management believes the cost of maintaining this control would exceed its benefits.

SUPPLEMENTARY INFORMATION

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
FIVE YEAR SUMMARY OF REVENUE & EXPENSES
(UNAUDITED)

	For The Year Ended June 30,				
	2005	2006	2007	2008	2009
Operating Revenues					
Water Sales	\$ 2,446,962	\$ 2,801,337	\$ 2,968,840	\$ 3,100,489	\$ 3,223,337
Wastewater Income	536,990	434,519	782,284	765,477	753,448
Other Charges	147,094	185,878	211,598	211,265	191,543
Total Operating Revenues	<u>3,131,046</u>	<u>3,421,734</u>	<u>3,962,722</u>	<u>4,077,231</u>	<u>4,168,328</u>
Operating Expenses					
Operations, Administration, & General	1,985,545	2,059,364	2,595,100	2,652,775	2,610,219
Depreciation	681,742	828,848	922,885	1,020,972	1,099,013
Total Operating Expenses	<u>2,667,287</u>	<u>2,888,212</u>	<u>3,517,985</u>	<u>3,673,747</u>	<u>3,709,232</u>
Non-Operating Revenues (Expenses)					
Interest Income	42,938	94,099	218,557	258,460	133,142
Gain (Loss) On Sale Of Assets	-	5,400	-	25,748	-
Capital Grant	100,000	-	-	-	-
Reimbursement Revenue	-	311,038	992,469	-	-
Interest & Amortization Expense	(665,523)	(710,658)	(719,345)	(588,268)	(624,620)
Reimbursement Expenses		(311,038)	(1,114,377)	-	-
Total Non-Operating Expenses	<u>(522,585)</u>	<u>(611,159)</u>	<u>(622,696)</u>	<u>(304,060)</u>	<u>(491,478)</u>
Income (Loss) Before Contributions	(58,826)	(77,637)	(177,959)	99,424	(32,382)
Capital Contributions					
Capital Reimbursement	-	71,514	-	30,962	111,428
Tap Fees	318,250	290,500	315,000	203,000	192,500
Developer Contributions of Transmission Lines	4,551,490	3,537,055	4,474,040	2,503,688	1,009,300
Total Capital Contributions	<u>4,869,740</u>	<u>3,899,069</u>	<u>4,789,040</u>	<u>2,737,650</u>	<u>1,313,228</u>
Increase In Net Assets	<u>\$ 4,810,914</u>	<u>\$ 3,821,432</u>	<u>\$ 4,611,081</u>	<u>\$ 2,837,074</u>	<u>\$ 1,280,846</u>

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF DEBT SERVICE TO MATURITY
(UNAUDITED)
JUNE 30, 2009

Fiscal Year Ended June 30,	1993 Series		2000 Series		2002 Series		2006 Series "Refunding"	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 430,000.00	\$ 144,300.00			\$ 3,156.39	\$ 10,619.61	\$ 180,000.00	\$ 161,800.00
2011	450,000.00	118,500.00			3,301.39	10,474.61	185,000.00	154,600.00
2012	485,000.00	91,500.00			3,453.06	10,322.94	190,000.00	147,200.00
2013	505,000.00	62,400.00			3,611.69	10,164.31	205,000.00	139,600.00
2014	535,000.00	32,100.00			3,777.61	9,998.39	205,000.00	131,400.00
2015					3,951.16	9,824.84	785,000.00	123,200.00
2016					4,132.67	9,643.33	825,000.00	83,950.00
2017			345,000.00		4,322.52	9,453.48	515,000.00	42,700.00
2018			905,000.00		4,521.09	9,254.91		22,100.00
2019			900,000.00		4,728.80	9,047.20		22,100.00
2020			900,000.00		4,946.05	8,829.95		22,100.00
2021			900,000.00		5,173.26	8,602.74		22,100.00
2022			900,000.00		5,410.92	8,365.08		22,100.00
2023			895,000.00		5,659.49	8,116.51		22,100.00
2024			900,000.00		5,919.50	7,856.50		22,100.00
2025			360,000.00		6,191.41	7,584.59	520,000.00	22,100.00
2026					6,475.87	7,300.13		
2027					6,773.36	7,002.64		
2028					7,084.53	6,691.47		
2029					7,409.98	6,366.02		
2030					7,750.41	6,025.59		
2031					8,106.46	5,669.54		
2032					8,478.87	5,297.13		
2033					8,868.37	4,907.63		
2034					9,275.79	4,500.21		
2035					9,701.92	4,074.08		
2036					10,147.63	3,628.37		
2037					10,613.81	3,162.19		
2038					11,101.40	2,674.60		
2039					11,611.39	2,164.61		
2040					12,144.81	1,631.19		
2041					12,702.77	1,073.23		
2042					13,286.31	489.69		
2043					3,635.64	5.55		
	\$ 2,405,000.00	\$ 448,800.00	\$ 7,005,000.00	\$ -	\$ 237,426.33	\$ 220,822.86	\$ 3,610,000.00	\$ 1,161,250.00

Fiscal Year Ended June 30,	2006 Series "Construction" Revenue Bonds		2008 Land Loan		SRF 08-215		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 110,000.00	\$ 112,912.50	\$ 42,712.50	\$ 9,785.02	\$ -	\$ -	\$ 765,868.89	\$ 439,417.13
2011	115,000.00	108,512.50	44,206.55	8,290.97	106,638.62	69,470.14	904,146.56	469,848.22
2012	120,000.00	103,912.50	45,734.38	6,763.14	109,411.71	66,697.05	953,599.15	426,395.63
2013	125,000.00	99,112.50	47,352.61	5,144.91	112,256.96	63,851.80	998,221.26	380,273.52
2014	130,000.00	94,112.50	49,008.96	3,488.56	115,176.18	60,932.58	1,037,962.75	332,032.03
2015	135,000.00	88,912.50	50,723.48	1,774.27	118,171.30	57,937.46	1,092,845.94	281,649.07
2016	145,000.00	82,162.50			121,244.37	54,864.39	1,095,377.04	230,620.22
2017	150,000.00	74,912.50			124,397.30	51,711.46	1,138,719.82	178,777.44
2018	155,000.00	68,912.50			127,632.26	48,476.50	1,192,153.35	148,743.91
2019	160,000.00	62,712.50			130,951.31	45,157.45	1,195,680.11	139,017.15
2020	170,000.00	56,312.50			134,356.68	41,752.08	1,209,302.73	128,994.53
2021	175,000.00	49,512.50			137,850.61	38,258.15	1,218,023.87	118,473.39
2022	180,000.00	42,075.00			141,435.42	34,673.34	1,226,846.34	107,213.42
2023	190,000.00	34,425.00			145,113.41	30,995.35	1,235,772.90	95,636.86
2024	200,000.00	26,350.00			148,887.09	27,221.67	1,254,806.59	83,528.17
2025	205,000.00	17,850.00			152,758.86	23,349.90	1,243,950.27	70,884.49
2026	215,000.00	9,137.50			156,731.35	19,377.41	378,207.22	35,815.04
2027					160,807.14	15,301.62	167,580.50	22,304.26
2028					164,988.89	11,119.87	172,073.42	17,811.34
2029					169,279.41	6,829.35	176,689.39	13,195.37
2030					173,680.13	2,428.63	181,430.54	8,454.22
2031					-	-	8,106.46	5,669.54
2032					-	-	8,478.87	5,297.13
2033					-	-	8,868.37	4,907.63
2034					-	-	9,275.79	4,500.21
2035					-	-	9,701.92	4,074.08
2036					-	-	10,147.63	3,628.37
2037					-	-	10,613.81	3,162.19
2038					-	-	11,101.40	2,674.60
2039					-	-	11,611.39	2,164.61
2040					-	-	12,144.81	1,631.19
2041					-	-	12,702.77	1,073.23
2042					-	-	13,286.31	489.69
2043					-	-	3,635.64	5.55
	\$ 2,680,000.00	\$ 1,131,837.50	\$ 279,738.48	\$ 35,246.87	\$ 2,751,769.00	\$ 770,406.20	\$ 18,968,933.81	\$ 3,768,363.43

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF INSURANCE COVERAGE
(UNAUDITED)
JUNE 30, 2009

<u>Name of Company</u>	<u>Period Of Coverage</u>	<u>Coverage</u>	<u>Liability</u>
St. Paul Travelers	1/31/08 - 1/31/09	General Liability	\$ 1,000,000/3,000,000
St. Paul Travelers	1/31/08 - 1/31/09	Management Liability	1,000,000/3,000,000
St. Paul Travelers	1/31/08 - 1/31/09	Inland Marine	48,920
St. Paul Travelers	1/31/09 - 1/31/09	Automobile Liability & Damage	1,000,000/1,000,000
St. Paul Travelers	1/31/08 - 1/31/09	Property	3,717,000
St. Paul Travelers	1/31/08 - 1/31/09	Employment Practices Liability	1,000,000/3,000,000
St. Paul Travelers	1/31/08 - 1/31/09	Miscellaneous	100,000 - 3,000,000
Local Government Insurance Pool	7/1/07 - 7/1/08	Worker's Compensation	1,000,000
St. Paul Travelers	2/28/06 - 2/28/09	Highway Replacement Bond	2,500
St. Paul Travelers	4/8/08 - 4/8/09	Fidelity Bond/Chairman	50,000
St. Paul Travelers	1/31/08 - 1/31/09	Fidelity Bond/Executive Director	50,000
St. Paul Travelers	2/4/08 - 2/4/09	Fidelity Bond/Treasurer	50,000
St. Paul Travelers	4/1/08 - 4/1/09	Fidelity Bond/Treasurer	50,000
Westfield Companies	10/13/07 - 10/13/08	Fidelity Bond/Billing Clerk	50,000
St. Paul Travelers	9/9/07 - 9/9/08	Fidelity Bond/Billing Clerk	50,000
St. Paul Travelers	3/23/08 - 3/23/09	Fidelity Bond/Accounts Receivable Clerk	50,000
St. Paul Travelers	5/11/08 - 5/11/09	Fidelity Bond/Accounts Receivable Clerk	50,000

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF GENERAL INFORMATION
(UNAUDITED)
JUNE 30, 2009

<u>Water Rate Schedule</u>	<u>Rate</u>
First 2,000 gallons	\$ 23.70 per month minimum
Next 3,000 gallons	8.38 per 1,000 gallons
Next 5,000 gallons	7.29 per 1,000 gallons
Over 10,000 gallons	6.56 per 1,000 gallons

<u>Year Ended June 30,</u>	<u>Number of Customers</u>
2009	7320
2008	7,156
2007	6,642
2006	6,409
2005	5,907
2004	5,504
2003	5,241
2002	4,971
2001	4,743
2000	4,583

<u>Customers</u>	<u>Estimated Gallons/Year</u>
Spring Hill Townhomes	4,400,000
Roy Major Dairy Farm	2,000,000
Co Part Salvage	1,200,000
Wilson County Schools	1,120,800
Earl Watson	1,109,800
Vera Bella Properties	482,600
Seth Major	423,000
CDM of TN	359,000
J.C. Bradshaw	300,000
Charles Lanning	116,170

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF UNACCOUNTED FOR WATER
(UNAUDITED)
JUNE 30, 2009

(All Amounts In Gallons)

A Water Treated & Purchased:

B Water Pumped	0	
C Water Purchased	414,607,203	
D Total Water Treated & Purchased	<u>414,607,203</u>	414,607,203
(Sum Lines B and C)		

E Accounted For Water

F Water Sold	329,110,300	
G Metered For Consumption	0	
H Fire Departments Usage	49,500	
I Flushing	3,248,733	
J Tank Cleaning/Filling	0	
K Street Cleaning	0	
L Bulk Sales	0	
M Water Bill Adjustments	<u>0</u>	
N Total Accounted For Water		332,408,533
(Sum Lines F Through N)		
O Unaccounted For Water		
(Line D Minus Line O)		82,198,670
P Percent Unaccounted For Water		19.826%
(Line P Divided By Line D Times 100)		

Cost per 1,000 Gallons \$ 1.93

Cost of Unaccounted for Water \$ 158,643

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF CHANGES IN BOND FUNDS
(UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Bond & Interest Sinking Fund</u>	<u>Debt Service Reserve Fund</u>
Balance, June 30, 2008	\$ 1,139,134	\$ 582,500
Deposits & Transfers	2,961,115	-
Disbursements & Transfers	<u>(3,375,322)</u>	<u>-</u>
Balance, June 30, 2009	<u>\$ 724,927</u>	<u>\$ 582,500</u>

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF DEBT SERVICE COVERAGE
(UNAUDITED)
JUNE 30, 2009

Net Earnings From Operations	\$ 459,096
Add:	
Depreciation	1,099,013
Interest Income	133,142
Cash Contributions - Tap & Fire Hydrant Revenue & Utility Plant	<u>192,500</u>
Amount Available For Debt Service	<u>\$ 1,883,751</u>
Annual Debt Service	<u>\$ 1,059,666</u>
Coverage	1.78

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Water & Wastewater Authority of Wilson County
Lebanon, TN

We have audited the financial statements of the business-type activities of the Water & Wastewater Authority of Wilson County, as of and for the year ended June 30, 2009, which collectively comprise the Water & Wastewater Authority of Wilson County's basic financial statements and have issued our report thereon dated January 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Water & Wastewater Authority of Wilson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water & Wastewater Authority of Wilson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Water & Wastewater Authority of Wilson County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Water & Wastewater Authority of Wilson County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Water & Wastewater Authority of Wilson County's financial statements that is more than inconsequential will not be prevented or detected by the Water & Wastewater Authority of Wilson County's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Water & Wastewater Authority of Wilson County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Water & Wastewater Authority of Wilson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

Water & Wastewater Authority of Wilson County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Water & Wastewater Authority of Wilson County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management and state and federal audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Dempsey Vantrease & Tullis PLLC

Lebanon, Tennessee

January 20, 2010

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF FINDINGS & RESPONSES
JUNE 30, 2009

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Water & Wastewater Authority of Wilson County.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting & on Compliance & Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. One instance of noncompliance material to the financial statements of the Authority was disclosed during the audit.

B. SIGNIFICANT DEFICIENCIES

R-1. Segregation of Duties

Condition: Due to the limited number of financial personnel employed by the Authority, the same individuals regularly perform several functions, which, ideally, should be performed by different individuals. Such functions include preparation of bank reconciliations, issuing checks, signing checks, handling cash receipts, processing customer billings and accounts receivable, and recording of transactions.

Criteria: Proper segregation of duties requires that no one employee be responsible for an entire transaction cycle from beginning to end.

Effect: Inadequate separation of duties allows the possibility of the occurrence of unauthorized cash transactions, which may not be properly detected by Management.

Recommendation: To the extent possible, Management should separate the duties of preparing bank reconciliations, issuing checks, signing checks, handling cash receipts, processing customer billings and accounts receivable, and recording transactions to the accounting system.

Response: Management believes the cost of maintaining this control would exceed its benefits.